

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re
Arnold Transportation Services, Inc.
Debtor.

Chapter 7

Case No. 24-10928 (CTG)

Hearing Date:

June 5, 2024, at 10:30 a.m. (ET)

Objection Deadline:

May 30, 2024, at 11:59 p.m. (ET)

RE: Docket No. 28

**LIMITED OBJECTION AND RESERVATION OF
RIGHTS OF THE FOREIGN REPRESENTATIVE OF
PRIDE GROUP HOLDINGS INC. AND ITS AFFILIATED DEBTORS TO
MOTION OF IPFS CORPORATION FOR RELIEF FROM THE AUTOMATIC STAY**

Randall Benson, solely in his capacity as the duly authorized foreign representative (the “Foreign Representative”) of Pride Group Holdings Inc. and certain of its affiliates in the pending (i) proceedings under chapter 15 of title 11 of the United States Code before the United States Bankruptcy Court for the District of Delaware, Case No. 24-10632 (CTG) (jointly administered) (the “Chapter 15 Court”); and (ii) Canadian proceedings commenced under the Companies’ Creditors Arrangement Act, pending before the Ontario Superior Court of Justice (Commercial List) in Ontario, Canada, Court File No. CV-24-00717340-00CL (the “Canadian Court”), hereby files this limited objection and reservation of rights (the “Limited Objection”) to the *Motion of IPFS Corporation for Relief from the Automatic Stay* [D.I. 28] (the “IPFS Motion”).¹ In support of this Limited Objection, the Foreign Representative hereby states as follows:

¹ Capitalized terms used here but not otherwise defined shall have the meanings ascribed to them in the IPFS Motion.

LIMITED OBJECTION

1. The Foreign Representative does not object to the Court granting IPFS relief from the stay to cancel the Policies. However, the Foreign Representative objects to any relief that has the effect of allowing IPFS to apply unearned premiums at Arnold Transportation Services, Inc. (“the “Debtor”) to satisfy amounts outstanding under the Premium Finance Agreement, given that Pride Truck Sales L.P. (“PTS”), an affiliate of the Debtor, has a valid, enforceable and perfected priority intercompany charge (the “PTS-Arnold Intercompany Advances Charge”) against all assets and property of the Debtor .

2. The PTS-Arnold Intercompany Advances Charge was granted by the Canadian Court pursuant to the Amended and Restated Initial Order, dated April 5, 2024, and attached hereto as **Exhibit A** (the “ARIO”), which provides that “to the extent that a Pride Entity . . . makes any payment to any [other] Pride Entity . . . such Lending Entity is hereby granted a charge (the “Intercompany Advances Charge”) on all of the Property of the Recipient Entity in the amount of such payment or obligation or transfer . . .” ARIO ¶ 58. Each of PTS and the Debtor is a “Pride Entity” pursuant to the terms of the ARIO. *See id.* at page 1. The ARIO further provides that “each of the Charges [including the Intercompany Advances Charge] shall constitute a charge on the Property and that ***such Charges shall rank in priority to all other security interests***, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise . . . in favour of any Person.” *Id.* at ¶ 62 (emphasis added).

3. The ARIO, including the Intercompany Advances Charge, was enforced in the United States on a provisional basis pursuant to the *Order Granting Provisional Relief in Connection with Debtor in Possession Financing and Certain Protocols Pursuant to Sections 105(a) and 1519 of the Bankruptcy Code*, entered by the Chapter 15 Court on April 17, 2024,

and attached hereto as **Exhibit B** (the “Provisional Relief Order”), which provides that “. . . the Charges (as defined in the [ARIO]) on all of the Pride Entities’ assets, undertakings, and properties located within the territorial jurisdiction of the United States shall be enforceable and given full force and effect in the United States, on a provisional basis, with the same priority as granted under the [ARIO].” Provisional Relief Order ¶ 5. Provisional enforcement of the ARIO was extended on a final basis pursuant to the *Order Granting Amended Verified Petition for (i) Recognition of Foreign Main Proceedings, (ii) Recognition of Foreign Representative, and (iii) Related Relief Under Chapter 15 of the Bankruptcy Code*, entered by the Chapter 15 Court on May 2, 2024, and attached hereto as **Exhibit C** (the “Recognition Order,” and, together with the ARIO and Provisional Relief Order, the “Orders”). See Recognition Order at ¶¶ 7-8.

4. In the weeks prior to the Debtor filing for chapter 7, PTS advanced a total of \$1,850,292.88 to the Debtor to fund, among other things, payroll, fuel costs, medical benefits, and insurance costs (an excess of \$65,810.21 was returned to PTS, resulting in a total net claim of \$1,784,482.67) (the “PTS-Arnold Claim”). As set forth above, pursuant to the Orders, the PTS-Arnold Claim is secured by the PTS-Arnold Intercompany Advances Charge, which is valid and enforceable against all assets of the Debtor and ranks in priority over all other security interests, including any security interests that IPFS may have.

5. Accordingly, to the extent that IPFS seeks to apply unearned premiums against amounts owed to it by the Debtor under the Premium Finance Agreement, the Foreign Representative objects to such relief and reserves all rights in connection therewith.

CONCLUSION

WHEREFORE, the Foreign Representative respectfully requests that the Court (i) sustain this Limited Objection; (ii) decline the relief requested in the IPFS Motion as it relates to application of unearned premiums at the Debtor to satisfy amounts outstanding under the Premium Finance Agreement; and (iii) enter any such other and further relief in favor of the Foreign Representative as this Court deems just and proper.

Dated: May 30, 2024
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Derek C. Abbott

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